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SUBJECT: HONG KONG CONSTITUTIONAL REFORM: LOOKING FOR AN
OPENING LINE

REF: (A) HONG KONG 1281 (B) HONG KONG 793

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Classified By: Acting Consul General Christopher Marut for reasons 1.4
(b) and (d)

11. (C) Summary and Comment: Our contacts tell us the specific reforms for the 2012 Chief Executive (CE) and Legislative Council (LegCo) elections are less important to either the pan-democrats or Beijing than the final format of the CE elections for 2017. The Democratic Party (DPHK) says they are willing to do a deal on 2012, provided they have some confidence that arrangements for 2017 (and 2020) will be acceptably democratic. Beijing reportedly cares much more about how the CE is elected than LegCo. Some observers expect Beijing will take a conservative line on reform while pushing the Hong Kong government to head off social discontent. Eliminating the Functional Constituencies (FCs) from LegCo remains a bottom line for the pan-democrats, but the interests represented by the FCs may be influential enough in Beijing to block reforms. Nearly everyone agrees the Hong Kong government does not have the initiative in this process, although CE Donald Tsang will have to push Beijing to offer something more than was offered (and rejected) in the 2005 reform plan. The ironic twist is, the pan-democrats may not know what Beijing is thinking but are willing to negotiate, while Beijing appears to be making a great effort to learn about the pan-democrats' views, but won't open a dialogue. End summary and comment.

Focused on 2017

12. (C) Democratic reforms for the 2012 Chief Executive (CE) and Legislative Council (LegCo) elections are supposed to represent the first step forward in the "gradual and orderly" progress towards elections by universal suffrage for the CE in 2017 and LegCo in 2020. However, our contacts tell us that, for various reasons, both the pan-democrats and Beijing are not looking at 2012 as a kind of intermediate point, and are instead focused on the "endgame" election arrangements for the 2017 CE elections. From the pan-democratic side, Democratic Party (DPHK) Vice Chairman Sin Chung-kai told us DPHK sees a democratically-elected CE as able to tackle issues like eliminating the small-circle LegCo Functional Constituencies (FCs), something an "appointed" CE cannot. From Beijing's side, commentator Lau Nai-keung believes Beijing cares more about the CE than LegCo, because Beijing prefers to have a single person to instruct and hold accountable.

Pan-Democrats: Principles but no Plans

13. (C) At a recent pan-democratic leadership conclave, the pan-democrats reportedly reached a general consensus that, while the "party line" remains to demand universal suffrage elections in 2012, the majority are willing to compromise on 2012 if they are satisfied that arrangements in 2017 will meet their requirements. In broad terms, this means a nomination process which cannot be used to prevent pan-democrats from standing for CE. Additionally, the pan-democrats still want some signal on the elimination of the small-circle Functional Constituencies (FCs). Former LegCo member and National People's Congress deputy Allen Lee, who moderated the meeting, told us he has been telling his Beijing contacts that any reform proposal that does not address these issues will not fly in Hong Kong.

14. (C) The pan-democrats will continue their discussions over the summer, but will likely not offer a detailed proposal on their own. Lee contends the pan-democrats want Beijing and the Tsang Administration to make the first move. Sin Chung-kai concurs, suggesting the most the pan-democrats will do is agree to a set of core principles. However, former Chief Secretary-turned-democratic activist Anson Chan's Citizen's Commission for Constitutional Development told us they will attempt to put "some ideas" before the public prior to the government's releasing its consultation document, after which they feel the initiative would be lost.

15. (C) The holdouts are the League of Social Democrats (LSD),

who are insisting on a firm line of demanding universal suffrage in 2012. One idea floated by the LSD is to have five members of the pan-democratic coalition resign and then run again in by-elections as a kind of referendum on universal suffrage. While the proposal has provoked discussion among politicians and the media, particularly with regard to how the risk will be distributed among the major

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parties, no other party has taken a formal position on the plan. (Note: Post will report further on this initiative in upcoming septel.) While the mainstream democrats do not wish to alienate the LSD, DPHK's Sin admits going through the process of pan-democratic intra-caucus dialogues is to protect the DPHK and Civic Party's flank when the inevitable compromise on 2012 occurs. (Note: the December 2007 National People's Congress Standing Committee (NPC/SC) decision specifically rules out universal suffrage in 2012, and the Basic Law grants the NPC/SC the final word. End note.) Hong Kong people want to see a reasonable compromise, Sin and others have told us, and the pan-democrats would risk much if they were seen as the obstacle to progress.

Reading Beijing

16. (C) Local businessman and Chinese People's Political Consultative Conference delegate Law Cheung-kyok, who has implied to us he serves as an adviser to Beijing officials on Hong Kong matters, says Beijing was quite concerned that the pan-democrats could get 100,000 people to turn out for the annual July 1 march (ref A). Law reports Beijing dispatched numerous observers to Hong Kong, who left relieved when the march rallied only 50,000. (Allen Lee told us the same thing.) Since then, Law said two scholars, Wang Zhanmin and Zhao Yucheng, have been actively researching the current situation in Hong Kong on behalf of the Hong Kong and Macau Affairs Office's Hong Kong and Macau Research Institute. Law said these two are in contact (via emissaries) with the DPHK's Sin Chung-kai and the Civic Party's Ronny Tong. (Sin told us subsequently he had been approached by people from the Institute, who broached the idea of a dialogue with the DPHK, but had not followed up.) That said, Law believes that, while Beijing wants to engage with Hong Kong and find common ground for a reform package, they are not sure about how to do so.

17. (C) Beijing's indecision has made its allies in Hong Kong reluctant to engage the pan-democrats. Law acknowledged Anson Chan's efforts to open a dialogue with the business community and other pro-establishment circles on constitutional reform. The establishment has demurred, Law explained, because Beijing has not indicated its stance on reform, but has signaled it does not completely trust Chan. The establishment is therefore hesitant to enter a process leading somewhere Beijing would not approve. Separately, Lau Nai-keung made the same point to us, saying Chan is on an informal Beijing "blacklist." (Comment: Chan appears orphaned by both sides: Allen Lee told us the recent democratic conclave on 2012 reforms was Chan's idea, but the Hong Kong Democratic Foundation was asked to host, and he was asked to moderate, because some in the pan-democratic camp were unwilling to cede a leadership role to Chan. End comment.)

18. (C) Sin Chung-kai thinks Beijing is in fact not paying much attention to Hong Kong right now, since it is more focused on Taiwan. To us, and in a recent column with the Hong Kong Daily News, he also argued that recent unrest in Xinjiang and Tibet will leave Beijing cautious and conservative in its approach to Hong Kong, lowering the chances for a breakthrough. Sin sees Xi Jinping as more risk-averse and cautious than former Hong Kong policy mandarin Zeng Qinghong (whom, we note, did not bear the burden of being a leader-in-waiting). Sin judges Xi will "choose the line of least risk." Chinese University scholar Ivan Choy offered an even bleaker assessment. Donald Tsang was Beijing's attempt to appoint a moderate unifier, and he failed to deliver. With that failure, Choy predicts Beijing will choose the "hard-line" option in the future.

Functioning Constituencies

19. (C) Beyond the issue of CE elections, the nut neither side can crack is the fate of Hong Kong's functional constituencies (FCs), which grant half of LegCo's sixty seats to small franchises representing key economic and social sectors. For 2012 at least, the 2007 NPC/SC ruling requires that the 50/50 balance between directly-elected geographic constituency seats and FC seats must remain in place. Polling by the respected Hong Kong Transition Project shows across-the-board support for an end to the FCs, even among the sectors they represent. However, no one is sure how to make the first move, and no constituency wishes to be the first to go. While the pan-democrats are united in pushing for the abolition of the FC seats in favor of a fully

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directly-elected LegCo, there is no fixed position from the establishment, save for some vague proposals to keep the constituencies but broaden their franchise.

10. (C) The question is, which of Beijing's constituencies has the dominant voice. Public remarks made earlier this year (and now muted to silence) from Democratic Alliance for the Betterment of Hong Kong (DAB) leaders like Jasper Tsang, as well as party members' comments to us, suggest the DAB sees better prospects in direct elections (ref B). (Note: Of the ten-member DAB LegCo caucus, seven are directly-elected. End note.) That said, observers tend to think the economic elites represented by the FCs are more influential in Beijing than the DAB. SynergyNet scholar Ray Yep joked to us that Beijing can staff up a loyalist political party easily, even using family members of local business people. On the other hand, Beijing sees business as the core of Hong Kong, he contends, and therefore pays more heed to economic elites. Lau Nai-keung argued to us with considerable vehemence that business tycoons, whom he says can pick up the phone and call members of the Politburo, are an even greater obstacle to democratic reform than Beijing itself.

11. (C) Ronald Chan, a District Councilor and member of Regina Ip's Savantas Institute, believes Beijing is willing to cross the establishment to maintain social harmony. He cited Beijing's support (through pro-Beijing media commentary, as well as the tacit blessing given to the government to proceed) of such measures as the competition law and the minimum wage, both of which the establishment opposes. Separately, Sin Chung-kai told us Beijing uses low-level officials to probe the pan-democratic camp on social issues of concern. He believes Beijing put pressure on the government to resolve issues like the Lehman minibonds and to direct stimulus spending to particular sectors to head off discontent. Allen Lee also told us Beijing ordered Tsang to make any compromise possible to keep Hong Kong's police from marching in protest over wage issues (Note: Active intervention by Police Commissioner Tang at the peak of the crisis in late June managed to head off a police protest march -- for now.) Comment: While Beijing certainly wishes to keep the lid on societal discontent, no one has suggested to us Beijing would necessarily be swayed towards a more liberal approach to democratization by a mass-mobilization of the public. If anything, experience suggests Beijing's reaction would be increased caution. End comment.

Bureaucratic Inertia

12. (C) The one thing on which almost sides agree is that Beijing will set the ground rules on constitutional reform, with the Tsang Administration merely implementing instructions. Sin Chung-kai told us this has been the case as far back as 2005. At that time a newly-appointed Chief Executive Donald Tsang as supposedly quite motivated to develop a liberal package of reforms. In the end, however, Sin says that when Tsang went to Beijing to confer, he was given what became the government's 2005 proposal and told by HKMAO Chief Liao Hui, "that's it, period" (jiu shi zheyang). The only observer who differed was Civic Party Secretary General Kenneth Chan, who said he understands Beijing does not want to become involved in the details, and will merely lay out its redlines. Tsang will at least need to convince Beijing he needs something more for 2012 than what was offered in 2005, and Allen Lee at least thinks he will get it. In his public remarks, Tsang has already publicly committed that the government's proposal will not simply be a "re-hash" of the 2005 plan.

13. (C) Operationally, Sin Chung-kai believes Tsang will try to run down LegCo's clock to delay the inevitable clash. Secretary for Constitutional and Mainland Affairs Stephen Lam told the Consul General in late July that CE Tsang would make reference to the consultation process in his October Policy Address, with the process starting sometime later. Sin actually thinks Tsang will wait until LegCo's winter recess December 8 to release his proposal, so as to prevent LegCo debating the matter at least for this year. Sin also thinks the Policy Address will contain economic "sweeteners" to help improve the public mood prior to the consultation, although recent press reports have suggested that the administration feels the economy has improved enough not to need them.
MARUT